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ABSTRACT

A study examined the extent to which the issues of business ethics and corporate social responsibility are becoming pertinent among the United Kingdom workforce. A self-completion questionnaire sought views on a range of issues relating to employment and asked about perceptions of individual companies/organizations on work and ethical issues. Findings reinforced the importance of those most basic aspects of remuneration: salary; other instrumental factors that make an organization attractive to work for included longer holidays, interesting and stimulating work, job security, and a good pension scheme; and other factors that are both instrumental and often raised in the context of an enlightened or ethical employment policy are important, including training for all employees, flexible working practices, and those related to the employee as stakeholder debate. A cluster analysis indicated around a fifth of the working population can be categorized as strong ethical employees. A regression analysis found a statistically significant relationship between employee loyalty and how the current employer was rated on its community and social responsibility. Analysis of results regarding attractiveness of some of Britain's biggest employers indicated that those companies that were rated as good corporate citizens were also felt to be good companies to work for. (Contains 25 references.) (YLB)

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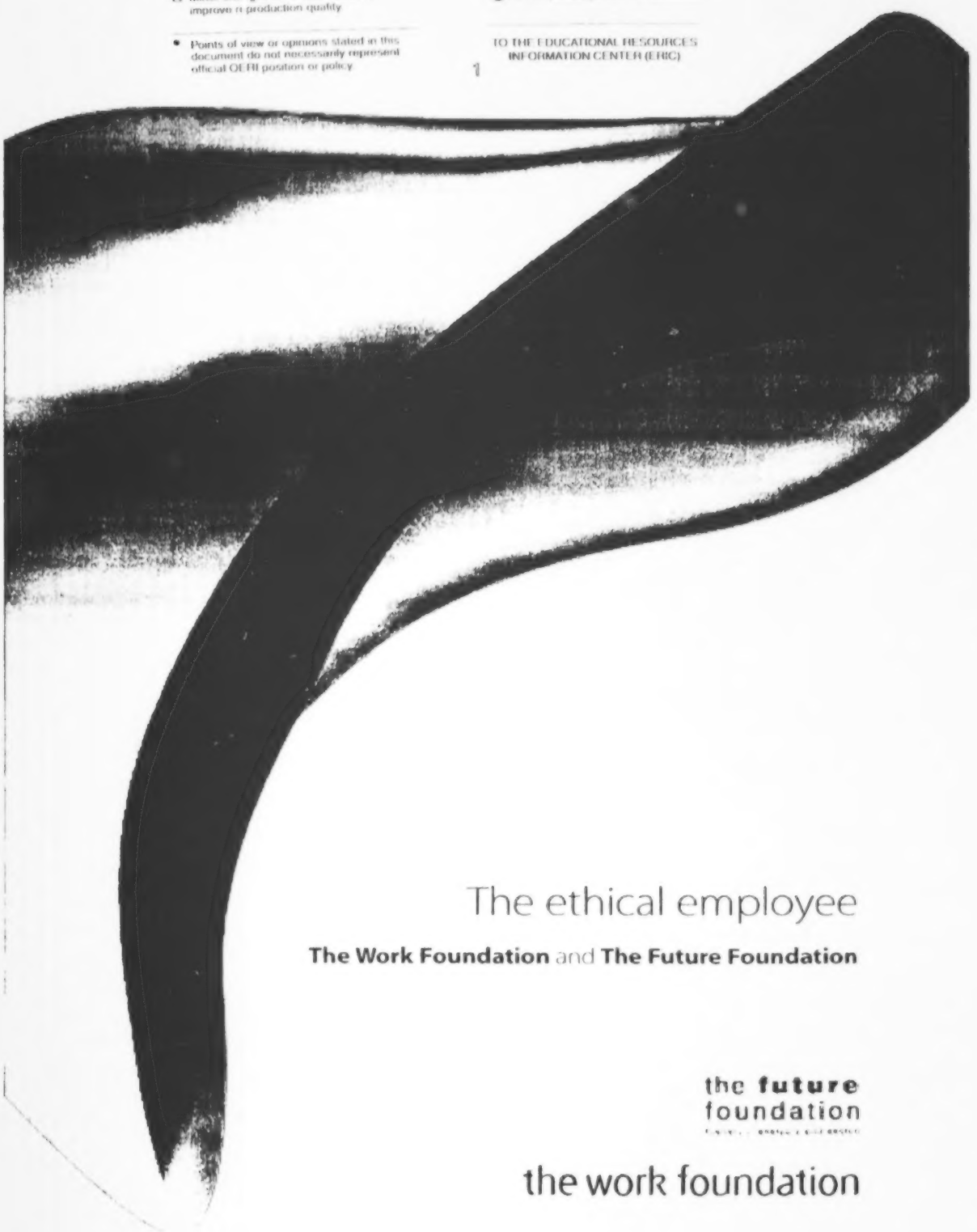

The ethical employee

The Work Foundation and **The Future Foundation**

the **future** foundation

the work foundation

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Introduction

Thank you Enron

We owe Enron a debt of thanks. In a matter of weeks the company catapulted the issues of ethics and the social responsibility of business to the top of the corporate agenda. Before the scandal, corporate social responsibility (CSR) had been a 'slow burn' issue being championed by many but practised by few. Now it is at the heart of many an anxious debate in boardrooms around the US and Europe. Corporate governance, the role of non-executive directors, the probity of auditing conventions and the ethical role of employees are all under closer scrutiny than ever before.

For many organisations, however, business ethics and CSR remain areas where minimum compliance with legal requirements (in terms of issues like disclosure or environmental impact) will be as far as they are prepared to go. But for a growing number there has been a realisation that there are wider benefits to being a good 'corporate citizen' than merely escaping prosecution or picking up some unwanted publicity. In particular, there is an accumulation of evidence which shows that an organisation's reputation in the field of business ethics and CSR can tangibly affect its attractiveness as an employer. In a tight labour market, a positive employer 'brand' can make a real difference. This report presents new evidence about the impact of the employer 'brand' on current and potential employees. Ultimately, a better understanding of 'ethical employee' opinion presents an opportunity to refine what is meant by 'the business case' for CSR and to liberate the concept from the realm of the aspirational to the practical.

Employees – the impact of 'brand'

Most organisations would acknowledge that there are advantages to having a good reputation, especially among key stakeholder groups such as City analysts, institutional and other shareholders, customers, suppliers, employees and potential employees. The concept of 'brand' becomes significant when it is important that any of these stakeholders makes a positive choice between one organisation and another to invest in, to buy from or to work for. It might be argued, therefore, that reputation only becomes *really* important when it has an effect on behaviour.

If we focus on the notion of the employer 'brand', it is clear that the kinds of behaviour that employers wish to encourage include:

- Making a positive decision to join their organisation rather than any of their competitors.
- Making a positive decision to remain with their organisation rather than to join one of their competitors.

A positive employer 'brand' can be a way of differentiating one organisation from another and creating a strong, distinctive and attractive identity with which current or potential employees can identify. For some employees, this identification can be focused on how well an employer is felt to treat and pay its staff. For others, it can be about the need for a deeper congruence between the values of the individual and those projected by the organisation.

There are several fields of research into employee behaviour which inform current thinking in this field:

- the links between attitudes and behaviours
- employer attractiveness and job choice
- employee retention.

The main evidence relating to each is presented below.

Attitudes and behaviours

Psychologists will talk about the attitudes individuals hold as being informed by their 'affective responses' to situations, people or things. Essentially, they are describing the set of subjective views and dispositions we hold, however well or ill-informed these views may be. Of course, these attitudes will vary both by individual and by group. At an individual level, attitudes will be affected by, among other things, the experiences of the individual (for example, John will never buy another Honda because his last one was unreliable, therefore, all Hondas are likely to be unreliable). At the level of the group, attitudes are more likely to be affected by group norms. For example, young workers tend to believe that taking out a personal pension plan is not a priority. They would rather use the money to satisfy their short-term needs.

In so far as it is possible to measure attitudes reliably, it can also be possible to make predictions about behaviour derived from these attitudes (Aizen and Fishbein, 1980). This can work both at individual and group level and can help us explain, predict and influence behaviour. Thus, knowing that selling personal pensions to young workers is going to be tough, we might devise a distinctive approach to promoting such products to this market sector.

In recent years, research has shed new light on where this link between attitudes and behaviour might not be as strong as first thought. Job satisfaction, for example, has long been felt to be a reliable measure of employees' disposition towards their work and their employer. However, its validity as a predictor of future employee behaviour (eg, job performance, absence and retention) has been shown, in most cases, to be weak. Similar findings exist for customer satisfaction and its impact on customer loyalty, recommendation and buying behaviour (Rucci, Kirn and Quinn,1998; Bevan, Barber and Hayday, 1999; Reichfeld, 2001; Willmott, 2001).

Much of the research (Mowday, Steers and Porter, 1979; Price and Meuller, 1981; Benkhoff, 1997; Meyer, 1997) tells us that it is employee and customer **commitment** which is the most powerful vehicle for converting a set of attitudes and values into behaviour. From an employee perspective, this might mean a strong identification with the values of the organisation, a pride in being part of it, a willingness to exert effort on its behalf and a desire and intention to remain a member of it. Commitment based on these characteristics and attitudes has consistently been shown to be strongly linked to a desire to belong to, work for and stay with an organisation.

Employer attractiveness and job choice

It follows, therefore, that if an organisation is keen to attract new staff, it will need to be offering a range of benefits (in their widest sense) to prospective employees. There is a considerable body of research in this field (Breaugh, 1992; Barber, 1998; Highouse and Hoffman, 2001), which

examines the relative importance placed on a range of organisational characteristics by prospective employees when choosing between employers. The research also examines the decision-making processes that underpin these choices (Schwab, Rynes and Aldag, 1987; Kilduff, 1990).

However, in the context of understanding the role of business ethics and CSR in forming part of the employer brand, some of the research provides insights into the ways in which employers and employees are thinking:

- There is evidence that employers are placing more emphasis on their 'corporate social performance' in their recruitment literature to enhance their attractiveness to recruits and those who advise them (Turban and Greening, 1996).
- There is a growing body of research which shows that employers who are seen as having a positive image in the field of CSR and ethics are seen as being more attractive (Bauer and Aiman-Smith, 1996; Turban and Greening, 1996; Draper, 2000; Greening and Turban, 2000).

The challenge for employers, of course, is to translate positive attitudes and disposition among prospective recruits into behaviour – in this case choosing to join one organisation over another.

Employee retention

So far we have explored the extent to which positive attitudes, commitment and congruent values can help encourage prospective employees to join an organisation. In many ways employers might expect that the factors which attracted an applicant might also play a significant part in keeping them as an employee. The research evidence here is mixed.

Our understanding of what attracts applicants has clearly become more sophisticated. Indeed it mirrors the sophistication with which businesses have come to understand the needs, values and buying habits of consumers. But attraction means nothing if the promise is not delivered, in the eyes of the 'attractee' (remember John and his Honda?). The same goes for employees. There is a vast body of literature which

demonstrates that employees attracted into organisations by false promises do not perform as well or stay as long as those who feel they have got what was promised (Price, 1977; Wanous and Colella, 1989, Bevan, Robinson and Barber, 1997). Of course, in a tight labour market, where good recruits are scarce, it is tempting to 'gild the lily' somewhat to attract the best candidates and to make sure that competitors do not get them. This research shows that, in the long term, this strategy is both costly and ineffective.

There is better news, however, for organisations that attach importance to getting a match between the values of their employees and those of the organisation itself. Here, evidence of the power of values congruence and commitment is strong, with researchers arguing that commitment is one of the best predictors of 'organisational membership' (Meuller, Wallace and Price, 1993; Meyer, 1997). There is also a strand of research which shows that commitment and values congruence is a good predictor of leaving intentions (Fishbein, 1980).

Why this study?

In order to examine the extent to which these issues are becoming pertinent among the UK workforce, The Work Foundation and the Future Foundation have collaborated on a piece of research in search of the 'ethical employee'. At its heart is a series of questions about the views of the UK workforce towards corporate social responsibility and business ethics issues, how these issues rank against other factors (such as pay, job security or flexible work patterns), how well various UK employers fare when judged against these criteria, and the extent to which employees are prepared to translate their views and attitudes about ethical issues into behaviour.

In the ebb and flow of the modern world of work, employers should be increasingly concerned about understanding what makes a particular job attractive to prospective employees, and what factors are important in determining their loyalty to an organisation once they have joined. Are extrinsic factors like pay or working hours the only ones of real

importance? Alternatively, are lifestyle and lifestage issues, such as flexible hours and work-life concerns, of growing relevance? Or are 'softer', values-based elements focusing on what the employer does or stands for gaining ground? Given the developing interest in corporate social responsibility both within management and as an issue in consumer choice, how important are values based on ethics and corporate citizenship in attracting and retaining staff?

These issues, and the last in particular, are what this report is about. Based on research conducted by the Future Foundation and The Work Foundation, it sets out to assess the relative importance of various factors in job choice: the role of ethics and whether its importance, if any, is changing over time.

Method

The research instrument was a self-completion questionnaire filled in by 1,050 respondents in August and September 2001. The questionnaire sought views on a range of issues relating to employment, but also asked specifically about perceptions of individual companies/ organisations on work and ethical issues.

The respondents were selected from the NFO consumer panel and included both people in employment and those who were not, although workers were over-selected to provide a total sample of 649 people currently in work.

Understanding and quantifying the ethical employee

The role of ethical concerns in choice of job and loyalty to an employer

Why should organisations be concerned about their employees' views on ethical and social responsibility issues? There are three compelling reasons:

- First, our research illustrates that employee loyalty is higher in organisations that are perceived to be better corporate citizens by their own workers. Two factors are driving this. Employees have their own ethical beliefs and values that they would like the organisation they work for to reflect. At the same time, employees have their own personal needs and demands – for example, more flexible working arrangements – that are often associated with enlightened employment practices. The instigation of such programmes not only looks good to the outside world but also directly benefits the employee (and hence, through increased commitment and loyalty, directly benefits the organisation itself). In this way, as with other aspects of corporate social responsibility, there is an element of self-interest operating under the overall umbrella of expressed altruism.
- Second, consumers' perception of a company or organisation and hence their loyalty to it is, in part, determined by a view about how it treats its employees and how happy its workers are. Being a better, more ethical employer is one aspect likely to generate general consumer trust in an organisation and hence brand equity. (For a fuller discussion of the relationship between corporate citizenship and branding, including enlightened employment practices, see *Citizen Brands*[1]).
- Third, there is every likelihood that this is going to become a more important issue over the coming years. Organisations that recognise this and begin working on it now will be better placed to succeed in the future.

Meeting employees' needs

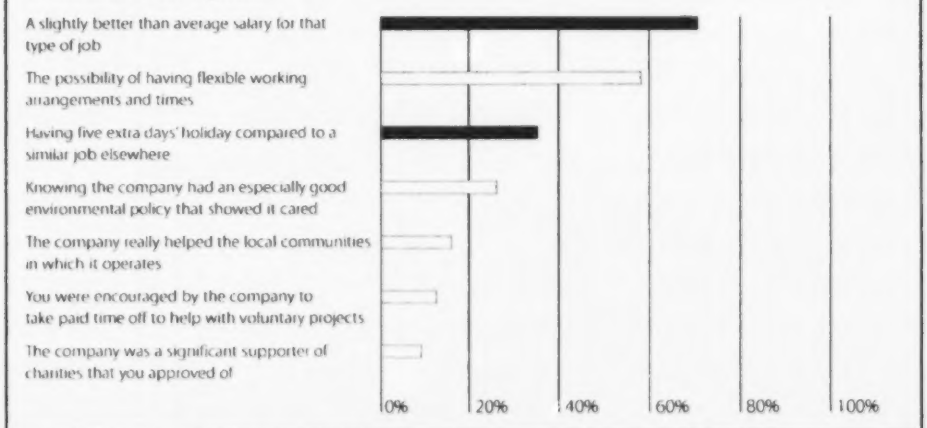
In our research we asked a range of questions to assess the importance to employees of a number of ethically orientated issues. These included community initiatives, environmentally friendly policies, supporting charities and the ability to carry out volunteer activities during work time. We also asked about more specific employment-related concerns like flexible working, being supportive of employees in times of need

(illness, for instance) and anti-discrimination policies. Finally, we set this against more instrumental aspects of employment like pay, holiday entitlement and job security by asking people to rank these various aspects in order of importance.

The research reinforces the importance of that most basic aspect of remuneration: salary. We deliberately couched our question on this issue in such a way as to play down more pecuniary desires. Thus, we merely asked how important having *'a slightly better than average salary'* for a certain type of job would be. Even so, as Figure 1 shows, this was rated as the most important issue of those covered.

FIGURE 1 Factors influencing choice of a job (1)

Respondents were asked to rank each aspect from most important to least important. The chart shows the proportion ranking that factor as most or second most important out of the list of seven given.


A slightly better than average salary for that type of job
The possibility of having flexible working arrangements and times
Having five extra days' holiday compared to a similar job elsewhere
Knowing the company had an especially good environmental policy that showed it cared
The company really helped the local communities in which it operates
You were encouraged by the company to take paid time off to help with voluntary projects
The company was a significant supporter of charities that you approved of
0%
20%
40%
60%
80%
100%

Source: Future Foundation/The Work Foundation, 2002

Further questions illustrated the importance of other, what might be called 'instrumental', factors in terms of defining what made an organisation attractive to work for. These included not only longer holidays (again see Figure 1) but more importantly the prospect of

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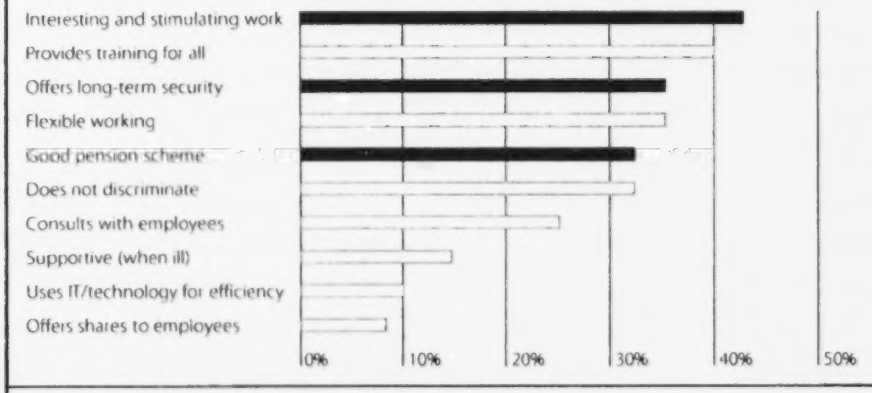
'interesting and stimulating work', *'job security'* and *'a good pension scheme'*, as Figure 2 shows. Interestingly, despite the attention they often receive, share options or similar equity stake schemes appear relatively unimportant to most employees – they certainly seem less attractive than other aspects of a potential remuneration package. And although roughly half our sample worked in the public sector there was little difference on this specific issue ('a share in the company') between them and those currently employed in the private sector.

FIGURE 2 Factors influencing choice of a job (2)

Respondents were asked to choose from a list of ten aspects, the three which they felt were most important in making a company a good employer to work for.



Source: Future Foundation/The Work Foundation, 2002

But these data also highlight the importance of other factors that, while they too, in their way, are instrumental (providing direct benefits for the employee in question), are also aspects that are often raised in the context of an enlightened or ethical employment policy. Providing training for all employees is a strikingly important component of being seen as a good employer, as is having flexible working practices, particularly so in the latter case for certain types of people.

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Other factors that are in a similar vein are those surrounding the employee as stakeholder debate, represented in our survey by questions relating to employee consultation, being supportive of workers and their families suffering from ill-health and sharing a common set of values. Here, then, are a whole host of attributes that directly relate to the corporate and social responsibility argument since they reflect a more concerned, inclusive and responsible attitude to employment. Many commentators have argued that it is in an employer's own interest to embrace such policies as they lead to a more committed and loyal workforce. And, perhaps unsurprisingly, our new research demonstrates that employees do support such socially responsible practices, presumably because they provide direct benefits in their own right. Parents want flexible hours because they enable them to juggle better the demands of family and work.

Inevitably, then, the views of workers and their bosses are inextricably linked – and in a way that provides a virtuous circle. More responsible and enlightened employment practices are welcomed by employees because they provide real benefits; this, in turn, increases loyalty and commitment to the organisation; and hence improved productivity and reduced recruitment costs. So, inclusive employment practices like those mentioned here can be seen to represent a form of enlightened self-interest for both employers and employees. They are good for society generally, and they are good for the individuals and organisations.

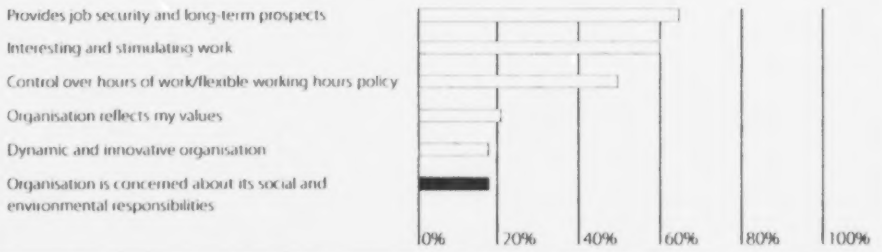
But what of more altruistic aspects of corporate social responsibility? What of those areas like environmental protection, or volunteering or charitable giving where there are less clear direct benefits for both the employer and the individual employee? This was the third area, after those of instrumental motivations and enlightened self-interest, which was covered in the research.

A look at Figure 3 makes clear that these 'altruistic' components of an employee's wish list are much less important than others we have

already covered. For most people, an employing organisation being *'concerned about its social and environmental responsibilities'* is least likely to be chosen as the most or second most important aspect out of six choices offered.

FIGURE 3 Factors influencing choice of a job (3)

Respondents were asked to rank each aspect from most important to least important. The chart shows the proportion ranking that factor as most or second most important out of the list of six given.



Source: Future Foundation/The Work Foundation, 2002

But, to dismiss such elements of the employment proposition as being unimportant would be dangerous. Even on this broad measure of altruism – being generally socially and environmentally responsible – there remained nearly one in six respondents (16%) rating it first or second. On the more specific issue of knowing that your potential employer *'had an especially good environmental policy that showed it cared about the environment'* nearly one in four (24%) rated it first or second most important out of the list of seven factors outlined in Figure 1. So, while these more altruistic aspects of CSR might not be as important as other factors in the employment equation for the working population at large, they are for a significant minority. Taking these results together we can see there is a hierarchy of importance as far as employees are concerned when looking to choose one job over another. Figure 4 provides a representation of the relative importance of different aspects of an organisation's employment offer to potential recruits.

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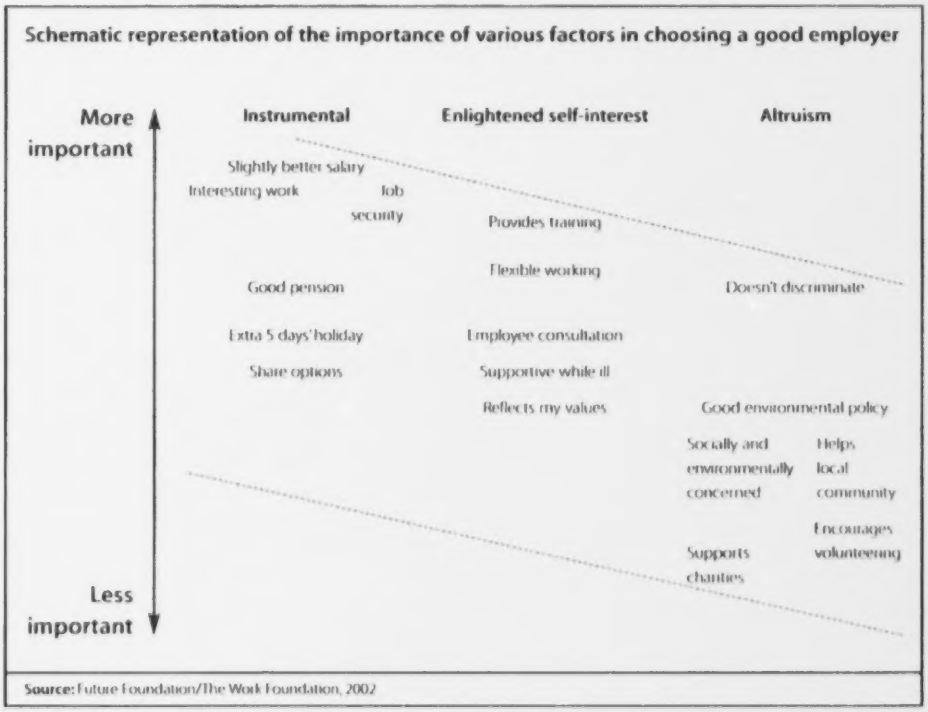
Instrumental elements like pay, security and (we suspect increasingly) interesting work are most important, but these are followed closely by some of those elements we have described as 'enlightened self-interest': increasing an employee's human capital (by providing training) and flexible working arrangements (that allow people to balance their work and non-work aspirations). Pay and the like are important but so too, and almost as much so, are some of these 'softer' factors. Other aspects of the remuneration package – pension, holiday and share options (the latter being the least important) – are of secondary value, rating just above those inclusive characteristics of consultation, compassion and shared values. On the face of it, the least important are those relating to corporate and social responsibility.

FIGURE 4 Ranking employees needs



Source: Future Foundation/The Work Foundation, 2002

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However, although these factors are least important in the hierarchy of employees' needs they are not, as such, insignificant. The research suggests that while there are threshold components of a remuneration package and an employer's broader approach to its employees, once these have been met other, more ethical, aspects will be important too. As we have shown, for a significant minority such concerns already outweigh even the basic aspects of remuneration and pure work-life values.

Thus, those elements we describe as instrumental and enlightened self-interest are already critical for attracting and retaining the vast majority of staff. For a minority, what we have called altruistic concerns are crucial too. But how many of these 'ethical employees' are there?

How many ethical employees exist?

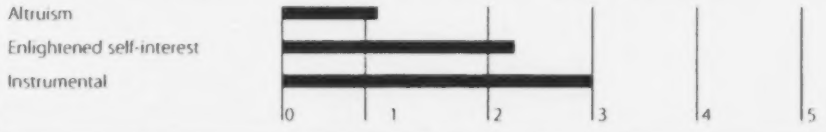
To assess the degree to which some employees are already placing an organisation's social and environmental credentials towards the top of their job selection criteria we carried out a cluster analysis on the three questions already discussed (and shown in Figures 1 to 3). To do this, we constructed from these three questions a score to represent the three aspects of employee needs – instrumental, enlightened self-interest and altruism. In effect, respondents can be considered to have seven 'points' that they can allocate to each of the three factors. If they chose only instrumental items then their score would be seven points for instrumentalism; if they chose none it would be zero. Thus, each respondent had a possible score of between one and seven on each of the three dimensions with the cluster analysis being carried out using these derived scores only for those currently in full- or part-time employment.

Before looking at the segments that emerged, it is worth reinforcing the earlier conclusions on the relative importance of the three dimensions by looking at the overall scores attributed to each by the workers in our sample. Figure 5 provides the scores that each dimension received (the combined scores add up to slightly less than seven as some respondents only 'allocated' five or six of their possible seven points).

The hierarchy described above is confirmed. Instrumental factors are most important followed by those encompassing enlightened self-interest. Behind these (but still of some importance since the score is above zero) are truly altruistic concerns.

FIGURE 5 Ranking employees needs

Average score for all full- and part-time employees for the three 'derived' dimensions – the higher the score the more important that factor was in the average employee's choice of job



Source: Future Foundation/The Work Foundation, 2002

But these bald figures fail to pick out the minority of workers for whom ethical concerns are really important. The cluster analysis allows us to do that and assess what size of the working population it involves.

Figure 6 plots the five segments that emerged from the cluster analysis, with their average scores for the three dimensions:

- **Ethical enthusiasts** place altruistic concerns above all others. For them, the most important factors in choosing a job are an organisation's social and environmental credentials. This group accounts for 10% of workers.
- Those exhibiting **enlightened self-interest** rate issues like flexible hours, good training and employee consultation as being really important. Aside from the ethical enthusiasts, they also express higher levels of concern for the ethical approach of an organisation relative to the other segments. The group also accounts for 10% of employees.
- The **lite enlightened** have a similar profile but score somewhat lower on enlightened self-interest and higher on the instrumental dimension, such that these two are of approximately equal importance. They represent 28% of the working population.

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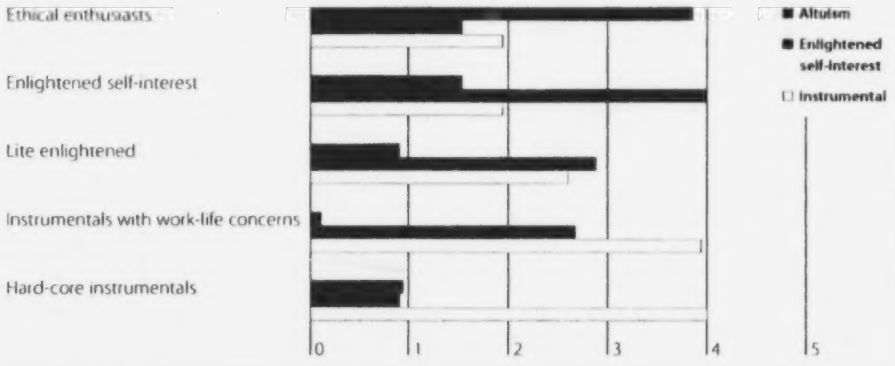
- **Instrumentals with work-life concerns** rate instrumental aspects like salary and holidays as being the most important, but they also need flexible working policies which gives them a relatively high score on enlightened self-interest. This group is the largest segment at 29% of workers.
- What might be called **Hard-core instrumentals** rate salary, holidays and good pension schemes as being the most important. Nearly a fifth of them also pick 'offering employees shares in the company' as being in the three most important factors (from a list of ten) in defining a good employer – twice as many as in the other segments. They account for 24% of the workforce.

FIGURE 6 Employee needs segments

Five worker segments based on the three job choice dimensions – the higher the score, the more important that factor to that segment



Source: Future Foundation/The Work Foundation, 2002

To illustrate further the differences between the segments, Figure 7 looks at the importance of three specific factors, rather than the derived dimensions, for each segment:

- a slightly better than average salary
- control over hours worked/flexible working policy
- the organisation is concerned about its social and environmental responsibilities.

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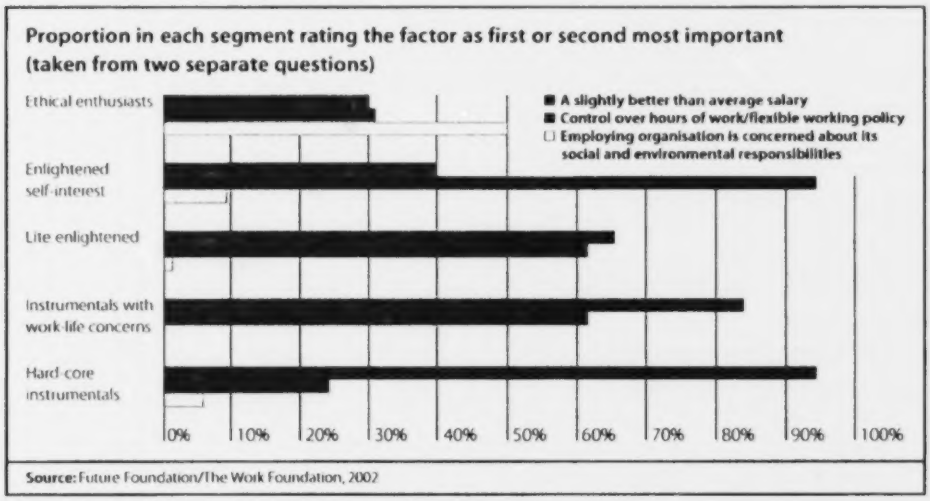
This emphasises the growing importance of salary in job choice as we move from the more ethical employees (at the top of the chart) progressively on to the more instrumental ones (on the bottom).

FIGURE 7 Segments by some specific questions



From this analysis, we can see that around a tenth of the workforce can be characterised as ethical enthusiasts, who hold such strong views on these issues that it is likely to influence strongly their choice of employer. Organisations with a poor track record in the area of corporate social responsibility will find it hard to attract such people. A further 10% of workers have, for a range of reasons, a primary concern about employment practices that are often viewed as 'inclusive' or 'stakeholder' focused and hence as coming under the umbrella of good corporate citizenship. These practices include flexible working arrangements, compassionate approaches to illness and family crises, and good employee consultation procedures. Although this group's motivations are often driven by their own personal circumstances and needs, the conclusion is that employers with a positive corporate social responsibility agenda will be significantly more attractive to them too.

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The net result is that around a fifth of the working population can be categorised as strong 'ethical employees' who place a range of ethical and inclusive issues at the top of their selection criteria when choosing one employer over another. And, although those in the other employee segments tend to place specific aspects of remuneration like salary and pensions ahead of these concerns, the evidence suggests that a significant number of them still place some importance on ethical issues.

From this, it is clear that the ethical and corporate responsibility performance of an employing organisation is already an aspect that is important in attracting many potential employees and for some, critically so.

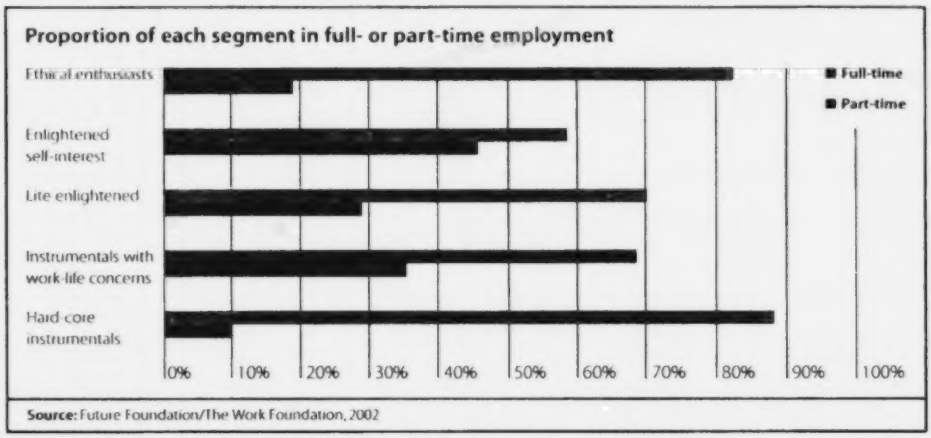
But in understanding the factors driving this development and the importance of it to employers we need to know who holds such views. Are those in the enlightened self-interested group more likely to be working mothers, for example? Does the instrumental group have a higher proportion of young people? Who are the ethical employees?

Who are the ethical employees?

We looked at the make-up of the segments in terms of sex, age, social grade, household size and whether the employee worked full or part-time. The most notable differences were as follows:

- There was little difference in the split between men and women except that the instrumental group had a much higher proportion of men (65%) and the enlightened self-interest group more women (63%).
- Further analysis suggests that family circumstances are critical since those in the family life-stage (aged 25-54) show a great gender difference. Men working full-time and with children are significantly more likely to be in the instrumental segment, while working women with children are focused more on those segments incorporating work-life concerns. This is particularly so for women working part-time who perhaps are less likely to have nannies and/or other childcare and domestic help.

FIGURE 8 Segments by working status



Source: Future Foundation/The Work Foundation, 2002

Generally, full-time employees have a more instrumental attitude than part-time ones, as Figure 8 shows. Interestingly, the ethical enthusiasts were more likely to be in full-time employment too.

- There is, perhaps surprisingly, no real difference between the groups in terms of social grade. Concerns about these issues arise across all social groups.
- Figure 9 illustrates that age is an important determinant of ethical concerns, with the age profile for ethical enthusiasts being very different from the other groups. Ethical enthusiasm in employment decisions is highest for young people (those aged 18-24) and older people (those aged 45 or over). Presumably, this is another reflection of the pragmatic decisions people have to make when faced with the pressures of family life. At that point people's work needs focus on instrumental concerns (money, job security and the like) or work-life balance issues (flexible hours, for example). The research suggests that gender stereotypes remain, with fathers more likely to concentrate on the former and mothers on the latter.

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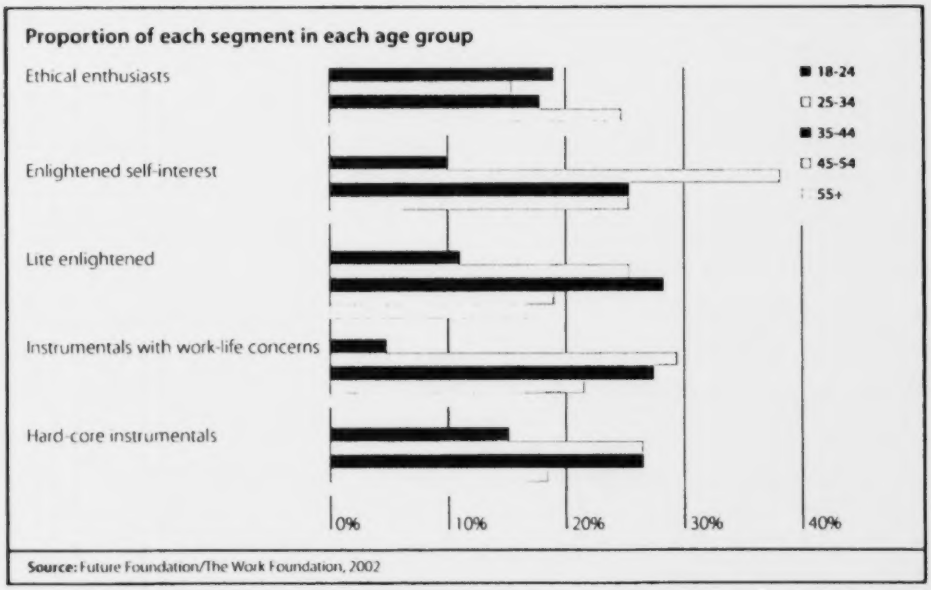
However, in those periods prior to having a family and after the children have left home, more ethical and less practical concerns can come to the fore. Ethics, it seems, are an issue for those with the 'space' to worry about them. This is not to devalue their importance, merely to stress the practical concerns and needs which over-ride them, particularly for some types of parents.

FIGURE 9 Segments by age



Source: Future Foundation/The Work Foundation, 2002

Why does it matter?

We have shown that when questioned about the factors likely to influence their choice of job, people place, to varying degrees, some emphasis on a range of factors beyond mere remuneration, job security or even that it is interesting and stimulating work. But, it is easy for respondents to surveys to suggest in such a hypothetical situation that these other issues are important factors. Might it not be that, in reality, when faced with the stark choice of whether to take one job or another, these concerns do not really make an impact upon the selection

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process? That working for an inclusive and ethical organisation is a hypothetical 'nice to have' rather than a critical 'must have'?

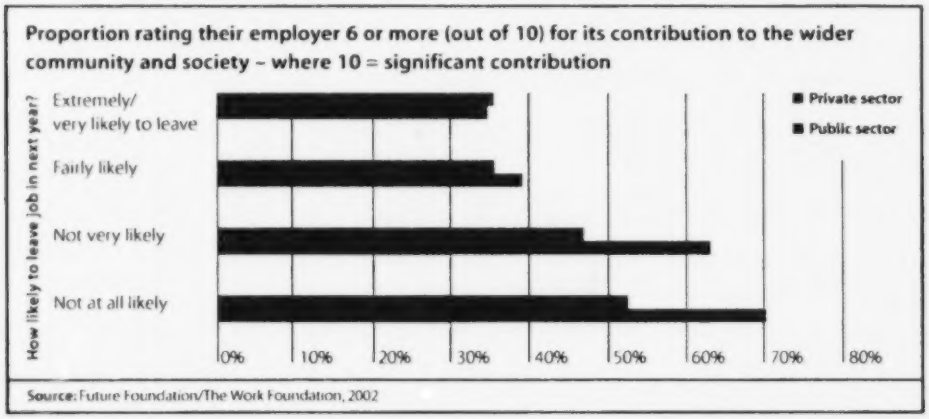
Inevitably, such questions are always hard to answer but one piece of analysis from the survey suggests that ethics really are an important issue, particularly for some people.

In the research we asked respondents to rate their own organisation on whether it made a contribution 'to the wider community and society beyond its commercial activities'. We also asked how loyal people were to their employer and their likelihood of leaving that job to go to another organisation in the next year. This allowed us to assess whether being a good corporate citizen increases employee loyalty and reduces staff turnover – something that clearly is in an employer's interests.

To analyse whether any such relationship is present we carried out a regression analysis on some of the factors that might explain why people would want to leave their job. Not surprisingly, younger people, at the start of their career ladder, are more likely to expect to change job within the next year. But even allowing for this, we found a **statistically significant relationship** between employee loyalty and how the current employer was rated on its community and social responsibility. People who rated their current organisation as being good on this criterion were less likely to expect to leave in the next 12 months. The impact is summarised in Figure 10.

Note that the effect is somewhat more noticeable for public sector workers than private sector ones, although it is significant in both.

FIGURE 10 The link between employee loyalty and an organisation's community and social responsibility



Source: Future Foundation/The Work Foundation, 2002

Unsurprisingly, there was a stronger correlation for those people who were in our more ethical clusters (those in the ethical enthusiasts and enlightened self-interest segments) with the current rating of the organisation's ethical performance having a larger regression coefficient. Put another way, over half of 'ethical employees' (53%) who currently rate their employing organisation as below par on its contribution to the wider community (a score of 5 or less out of 10) say they are fairly, very or extremely likely to leave over the next 12 months. This compares to a third of people in the other segments (Figure 11). Both figures reinforce the importance of a company's approach to corporate social responsibility in terms of employee loyalty for all workers, while at the same time emphasising its critical importance to certain ethically oriented segments. How many employers monitor, or even have any idea, how many of their staff (and who) are concerned in this way? Most only find out about their concerns after they have resigned assuming, erroneously, that most staff leave because of money. In fact, only about 10% of leavers cite dissatisfaction with pay as their main reason for leaving (Bevan, Robinson and Barber, 1997).

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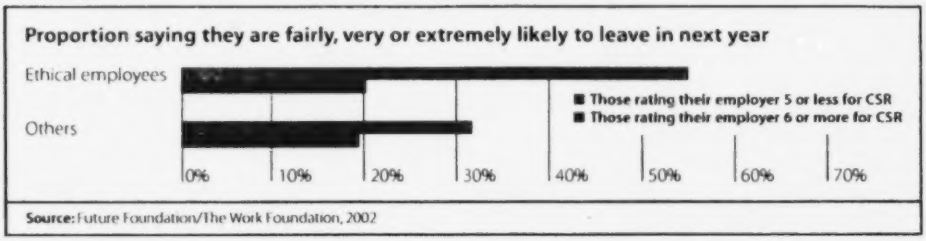
FIGURE 11 Ethical employees, corporate responsibility and loyalty

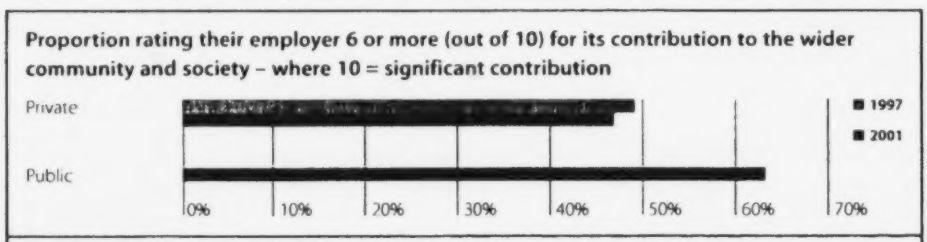


Source: Future Foundation/The Work Foundation, 2002

Worryingly for organisations, there is evidence that staff are becoming more critical of their employer's ethical activity. The question about their own organisation's contribution to the wider community was a repeat of one first asked in some research carried out by the Future Foundation for BT in 1997.[2] Figure 12 compares the results from that survey and this one. In 1997, the question was only asked of those working in the private sector, and here there has been a small but statistically significant decline in the past four years in those giving their employer a pass mark on this measure. Not surprisingly, the public sector fares slightly better, but perhaps by not as much as might be expected.

Given the greater focus on ethical issues over the last four years and the very real efforts of some organisations, one might have expected an improvement over that time. But clearly, employee expectations have risen at a faster pace – suggesting that there is a dynamic in place here making this a more important factor.

FIGURE 12 Rating of own organisation on its contribution to wider community and society



Sources: Future Foundation/The Work Foundation, 2002; *The Responsible Organisation*, BT/Future Foundation, 1997

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The future for ethical employment

There is no question that there are increasing concerns in consumers' and citizens' minds about ethical issues generally and specifically in the areas of politics and consumption: the dynamic just referred to is an ever-growing awareness of such things. It has also been argued (see, for example, Willmott, 2001) that such concerns are likely to increase in the future. There are a number of reasons for believing this:

- **Growing affluence** allows people the 'luxury' of being concerned about wider issues such as the environment or third world employment practices. When you are struggling to pay for even basic foods for your family you are unlikely to be overly concerned about whether products are environmentally friendly. But as societies become more affluent people can search for a wider meaning and sense of worth beyond material possessions (Maslow, 1954).
- **Declining deference** to traditional institutions – and companies in particular – alongside increased affluence leads to greater demands and expectations of organisations as suppliers of goods and services (or as employers). It also promotes the move from 'value acceptance' (whereby you just accept, or do not question, the values and behaviours of an institution) to 'value matching' (where you are seeking a congruence – as we put it earlier – between your own values and the values of the organisation you are dealing with).
- **Globalisation** is raising awareness of living and working conditions around the world and the use of natural resources to produce goods that are consumed in advanced economies.
- At the same time, news of business and government behaviour is made more transparent by the explosion of media, resulting from the deployment of **new technologies**. News travels faster and can be managed and exploited by small campaigning groups and even individuals on a one-to-one basis.

These arguments have been applied to consumers (and consumer markets) and citizens (and the political process), but many of these same consumers and citizens are employees too. This suggests that ethical issues are likely to become a more important component of job choice and the

decision to remain in work at an organisation. This is likely to be especially true in a tight labour market, as we suggested in our introduction.

This leads directly into an important issue concerning the demographics of the labour market in the future. Arguably, in tight conditions two groups of workers are likely to be important in terms of recruitment and retention. Young workers are always important as a source of relatively cheap labour that can be trained up to develop certain critical skills. One of the paradoxes of the rapid expansion of higher education in the UK is that many employers have focused their recruitment efforts on a relatively small number of institutions. This has, if anything, intensified competition for the 'best' graduates. At the other end of the scale, the demographic realities of Britain's population suggest that it will become increasingly important to retain (and recruit) workers aged 45 and over. If the economy is to demand new workers, these are the two groups (setting aside immigration) that will have to be the main source.

Yet, as we showed earlier, **it is precisely these two age groups who can be categorised as having the most ethical views about employment**. One final group is also likely to provide some growth in the labour force: working mothers. By 2010, one in five UK workers will be a mother. This group has the highest proportion of those we defined as 'enlightened self-interest' – again having implications for the employment strategies and perceived ethical stance of organisations.

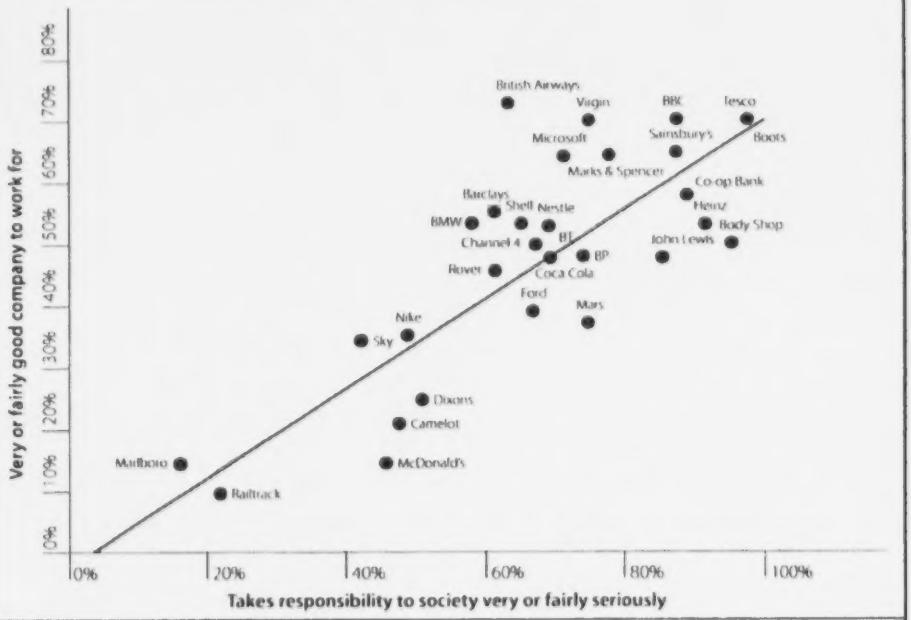
How some of Britain's big employers fare

One final component of the research exercise was to consider how some of Britain's biggest employers were viewed in terms of corporate citizenship and also how attractive they were seen to be as employers. Thirty organisations were chosen (see Appendix) in a non-systematic way to represent different sectors, to include both national and multinationals and to contain some companies that express citizenship credentials (and some that do not). As the survey was a repeat of some previous surveys on this subject, the list was also chosen to include a significant number of companies that had been covered in the past.

The first result from this analysis of named companies was one that was consistent with some of our earlier results and other studies in this area (as noted above). This was that, on the whole, those companies that were rated as good corporate citizens were also felt to be good companies to work for (Figure 13).

FIGURE 13 Corporate citizenship attracts employees?

For each organisation, the point marks the proportion who felt it took its responsibility to society very or fairly seriously (horizontal axis) and the proportion who felt it was likely to be a very or fairly good organisation to work for (vertical axis)



Source: Future Foundation/The Work Foundation, 2002

Note, though, that it is not a perfect fit. Some companies – those above the line, like British Airways – have a higher proportion feeling they would be good to work for than would be implied by the rating for being a responsible citizen. Others – those below the line, like McDonald's – appear less attractive to work for than would be suggested by their citizenship rating.

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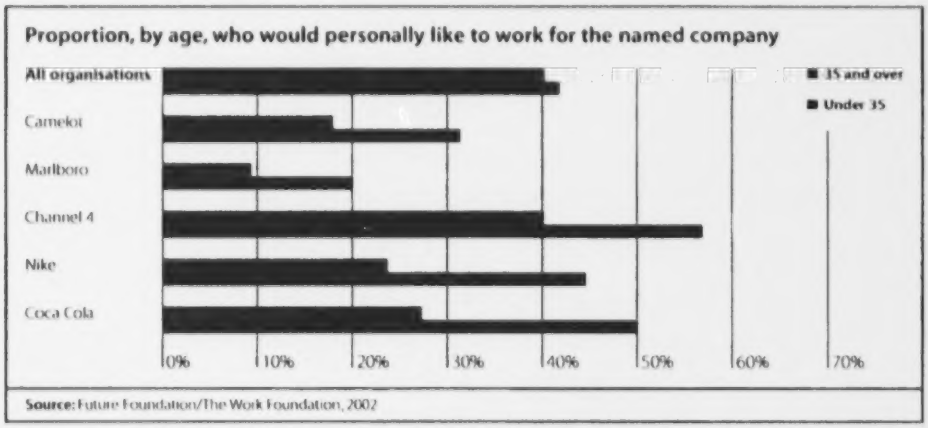
A number of factors are likely to be the cause of these 'discrepancies'. First, there is the nature of the job itself, or the perception of it as experienced by the consumer. Flying an airplane or being a flight attendant is unsurprisingly seen to be more attractive than serving a burger and fries at a furious pace in a McDonald's outlet. But an analysis by age suggests that something else – a general liking for, or positive perception of, the product or service – is also influencing the results. Figure 14 – which uses a similar but distinct question, whether the respondent would personally like to work for the organisation – makes the point. Certain companies – specifically those catering for a younger market or with a strong brand identity – are much more attractive to younger than older employees. Thus, although across the range of organisations covered, there was no difference between those aged under 35 and older respondents, significantly higher proportions of the younger group would personally like to work for the likes of Coca Cola, Camelot and Marlboro – archetypal young consumer brands.

FIGURE 14 The impact of product attractiveness on choice of employer



Source: Future Foundation/The Work Foundation, 2002

It seems clear from this that the ability of an organisation to attract people does depend on its stance on ethics and corporate citizenship, and we would argue will increasingly do so. But, unsurprisingly, perceptions about the work itself, and importantly, the products, services and 'brands' of the organisation are critical too – employers who can combine all three are likely to be the winners in recruiting and retaining staff in the future.

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Conclusions

This study has highlighted the fact, among other things, that employees are increasingly behaving like consumers when choosing to join or stay with an employer. It has also shown that the factors influencing these choices are increasingly reflecting concerns over the 'social performance' of organisations. As we look ahead, we conclude that all the signs tell us that these concerns will grow rather than diminish.

A simple look ahead at the demographic trends suggests that the traditional recruitment pool from which employers have traditionally drawn will be diminishing:

- There will be 3 million more workers over 35 years by 2010.
- There will be 1.3 million fewer aged 25-35 years by 2010.
- Only 20% of the workforce will be made up of white, able-bodied men under 45 years in full-time work.
- There will be 12 million over-65s by 2020 being cared for by a growing number of working women over 50.
- Over 80% of workforce growth to 2010 will be accounted for by women.
- Up to 18% of working age people have a long-term disability – but only 46% are in work. The number of unemployed disabled people will grow, though 47% will be available for work.

The inevitable increase in workforce diversity which these statistics imply means that, especially during times of high employer demand, employee needs for greater flexibility, family-friendliness and ethical behaviour will continue to shape the ways they choose which organisations they work for, or how long they stay with them.

The current study shows that, while not yet mainstream in their importance, employee concerns over the 'social performance' of organisations is growing, and will continue to grow. Up to 10% of the workforce, particularly new entrants to the labour market, are now rating corporate social responsibility issues as 'very important' when deciding who to work for. We expect these considerations to grow in importance in coming years – so do many employers. Witness the number of organisations seeking to be the 'employer of choice' in their sector.

If employees are indeed in fact behaving more like consumers in the labour market, it seems reasonable to assume that their perceptions, as consumers, of the wider brand and image of organisations will also weigh heavily in their decision to affiliate with them. Again, our study presents growing evidence that this is the case, with the relative attractiveness of a company's products and its wider brand playing a significant part in shaping employee views about its attractiveness as an employer. This suggests that 'social performance' is but one of the factors which will influence the labour market behaviour of the UK's future workforce.

So what does all this mean for organisations?

- The 'pay and rations' model of constructing an attractive employment package is rapidly becoming too simplistic and is not speaking to the needs of a more sophisticated workforce.
- The 'social performance' issue is growing in importance as the workforce behaves more like consumers. Employers will need to change their 'offer' and then deliver upon it.
- This must go beyond presenting a more socially responsible image in order to attract recruits. Failure to 'live the message' will result in increased labour turnover as employees realise that the initial offer was shallow.

There is a need to understand that the product offer, wider reputation and brand also have a significant impact on labour market attractiveness, and that this, together with CSR concerns, will grow in importance among an increasingly diverse future workforce.

Appendix Would you personally like to work for ...

	BBC	72%
Proportion saying 'Yes'.	British Airways	61%
	Virgin	61%
	Boots	53%
	Microsoft	52%
	Tesco	51%
	Marks & Spencer	50%
	Nestle	49%
	Sainsbury's	47%
	BMW	47%
	Shell	47%
	John Lewis	46%
	Channel 4	45%
	BP	45%
	Co-op Bank	43%
	Heinz	41%
	Rover	41%
	Mars	41%
	All organisations	40%
	Barclays	40%
	Body Shop	38%
	Ford	37%
	Coca Cola	35%
	BT	33%
	Nike	29%
	Sky	28%
	Dixons	25%
	Camelot	21%
	Marlboro	12%
	Railtrack	11%
	McDonald's	2%

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